

Message Text

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ACTION EB-07

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AMCONSUL HONG KONG

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SUBJ: CIVAIR: AIR SIAM

REF: BANGKOK 32443 (NOTAL)

1. ACCORDING BANGKOK PRESS REPORTS NOV. 29-30, AIR SIAM PLANS TO "SELL" ITS DC-10, PROBABLY TO KOREAN AIRLINES (KAL), AND WILL STANDARDIZE ITS FLEET BY PURCHASE OF TWO 747'S. AIR SIAM OFFICIALS HAVE REPORTEDLY DEPARTED FOR U.S. TO NEGOTIATE TERMS FOR THE 747'S. AFP REPORT FROM HONG KONG ADDS THAT MR. MICHAEL FLEISCHMANN, SOUTHEAST ASIA REP FOR WEISSCREDIT TRADE AND INVESTMENT BANK OF SWITZERLAND, HAS AGREED IN PRINCIPLE TO GUARANTEE AIR SIAM'S ACQUISITION OF THE TWO AIRCRAFT.

2. ON OTHER HAND, INDUSTRY SCUTTLEBUTT, WHICH HAS PROVED REMARKABLY PRESCIENT TO DATE, HAS IT THAT AIR SIAM ON NOV. 15 PAID ONLY \$100,000 OF \$500,000 DUE ON LEASE OF 747 AND THAT KLM IS WEIGHING POSSIBILITY OF REPOSSESSING AIRCRAFT. KLM MANAGER, WHO IS RETICENT EVEN FOR A DUTCHMAN, WOULD SAY ONLY THAT "IN GENERAL" AIR SIAM HAS BEEN PAYING ITS BILLS TO KLM. NETHER-

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LANDS EMBOFF, HOWEVER, SAID KLM HAS EXPERIENCED "RECENT AND

SERIOUS DELAYS" IN RECEIVING PAYMENT.

3. COMMENT: WE CANNOT TAKE SERIOUSLY PRESS REPORTS THAT NEARLY BANKRUPT AIRLINE COULD CONTRACT FOR PURCHASE OF TWO 747'S. EVEN LEASED AIRCRAFT, IN ABSENCE OF FIRM BANK GUARANTEES, WILL PROVE DIFFICULT TO SECURE. NONETHELESS WE CONTINUE TO BE DAZZLED BY THE LEGAL AND FINANCIAL FOOTWORK OF AIR SIAM EXECUTIVES, AND WOULD WELCOME INFO FROM DEPARTMENT AND EMBASSY SEOUL ON PROPOSED TRANSFER OF MCDONNELL-DOUGLAS DC-10 LEASE FROM AIR SIAM TO KAL; SPECIFICALLY, WHAT COULD BE IN IT FOR MCDONNELL-DOUGLAS, KAL AND AIR SIAM? IN REGARD PROSPECTS FOR AIR SIAM, OUR GUESS IS THAT THAI BANKS, TO WHOM AIRLINE IS REPORTEDLY INDEBTED FOR ABOUT \$19 MILLION, ARE TRYING TO KEEP AIR SIAM AFLOAT TEMPORARILY IN HOPE THEY CAN SALVAGE SOMETHING BY RAMMING THROUGH MERGER OF AIR SIAM AND THAI INTERNATIONAL. THEIR INTENT WOULD BE THAT: (1) THAI INTERNATIONAL WOULD ASSUME AIR SIAM'S DEBTS, AND (2) AIR SIAM STOCKHOLDERS WOULD RECEIVE PAYMENT FOR SEVERAL MILLION SHARES OF CURRENTLY WORTHLESS STOCK. IT WILL BE RECALLED THAT IN DECEMBER 1974 SANYA GOVERNMENT ADOPTED AIRLINE MERGER POLICY, WITH TARGET DATE OF MARCH 1977. SENI AND KHUKRIT GOVERNMENTS SET UP COMMITTEES TO STUDY MERGER MECHANICS, BUT NOTHING CONCRETE WAS DONE. THANIN GOVERNMENT SPOKESMEN HAVE AVOIDED USE OF TERM "MERGER", SAYING INSTEAD THAT RTG HAS OPTED FOR "ONE AIRLINE POLICY". OUR INTERPRETATION IS THAT GOVERNMENT LEADERS AT THIS TIME ARE DETERMINED THAT THAI INTERNATIONAL SHALL NOT SUFFER FINANCIAL LOSSES IN ORDER TO BAIL OUT BANKS AND OTHER AIR SIAM BACKERS.

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